Annual Report

1999-2000

AGRI-FOOD INNOVATION FUND

Canada Saskatchewan

Front Cover Photo:

Dorothy Long,
Saskatchewan Bounty Inc.

Photo By:

Theresa Kirkpatrick

Table of Contents

Letter of Transmittal	Page 2
Letter of Transmittal	Page 3
Federal Minister's Message	Page 4
Provincial Minister's Message	Page 5
Board of Directors Report	Page 6
Board of Directors	Page 7
Activities	Page 8
Financials	Page 11

Letter of Transmittal

Her Honour the Honourable Dr. Lynda M. Haverstock
Lieutenant Governor
Province of Saskatchewan
Government House
Regina, Saskatchewan

August 31, 2000

Your Honour:

I have the honour to submit herewith the Annual Report of the Agri-Food Innovation Fund for the 12 months ending March 31, 2000.

I have the honour to be, Madam, your obedient servant.

Clay Serby

Honourable Clay Serby,
Minister,
Saskatchewan Agriculture and Food

Letter of Transmittal

Honourable Lyle Vanclief
Minister of Agriculture and Agri-Food Canada
Sir John Carling Building
930 Carling Avenue
Ottawa, Ontario
K1A 0C5

Honourable Clay Serby
Minister of Saskatchewan Agriculture and Food
Room 307
Legislative Building
Regina, Saskatchewan
S4S 0B3

Dear Sirs:

We are pleased to present herewith the Annual Report of the Agri-Food Innovation Fund for the 12 months ending March 31, 2000.

Respectfully submitted:

B H Sonntag

Bernie Sonntag,
Federal Co-Chair,
Board of Directors,
Agri-Food Innovation Fund

Susie Miller

Susie Miller,
Provincial Co-Chair,
Board of Directors,
Agri-Food Innovation Fund

Minister's Message

I would like to congratulate everyone involved in the Canada-Saskatchewan Agri-Food Innovation Fund (AFIF) over the past five years. Through your efforts, the program has successfully moved from the concept and planning stages through to full implementation.

For the Government of Canada, AFIF is a key component of our efforts to strengthen and diversify Saskatchewan's agri-food sector and to fulfill our commitment to increase economic activity opportunities for rural residents.

Through the more than 200 projects the Fund has supported, researchers, producers and entrepreneurs are developing the skills, knowledge and infrastructure they need to maintain the agri-food industry as one of the most innovative and knowledge-intensive sectors in the marketplace. Their work will help increase production from existing crops, develop newer, higher-yielding crops, and introduce new value-added and non-food products and processes.

The result will be an agri-food industry that is helping increase wealth and jobs and an industry that is capable of keeping pace with all the changes taking place in our fast-moving world. But AFIF is not only about meeting the challenges of today.

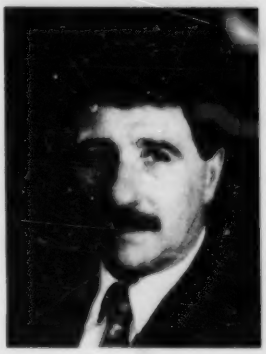
The many projects AFIF has supported are building strong foundations that future generations will be able to build on, helping ensure that Saskatchewan's agri-food sector continues to play a vital role in strengthening Canada's economy and rural communities.

Once again, congratulations on the success of AFIF.

Honourable Lyle Vanclief,
Minister,
Agriculture and Agri-Food Canada

Minister's Message

The Canada-Saskatchewan Agri-Food Innovation Fund (AFIF) is an investment – an investment in producers and in our dynamic agriculture and food industry that is paying dividends now and will continue to do so for years to come.



The fund's fifth year was an exciting time for Saskatchewan's producers as almost 200 projects are now showing tangible benefits. Two of the fund's investments evolved from planning and construction to full operation during the last year.

The fund's largest single project – the $13.4 million Food Centre located at the University of Saskatchewan in Saskatoon – is now open.

The Stockman's Arena, designed to handle the sale of specialized livestock such as bison and elk, opened on the first day of the 1999 Canadian Western Agribition in Regina. The $2 million investment in the new facilities is helping the show become a key international forum for specialized livestock producers and marketers to meet and sell their products.

From specialized livestock to new food products, Saskatchewan is truly seeing a spirit of innovation in agriculture and food. AFIF's investment in the infrastructure and research to support development of emerging agriculture and food opportunities is helping position the province for the future and ensuring Saskatchewan's agriculture and food industry will flourish in an ever-broadening world marketplace.

Honourable Clay Serby,
Minister,
Saskatchewan Agriculture and Food

Board of Directors Report

To Members of the Legislative Assembly of Saskatchewan

The Board of Directors of the Agri-Food Innovation Fund of Saskatchewan is responsible for the integrity of the accompanying financial statements and all other information in this 1999-2000 Annual Report. It is the responsibility of management to prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP) in Canada.

The integrity of the financial records from which these financial statements are prepared is largely dependent on the systems of internal accounting controls. The purpose of such systems is to provide reasonable assurance that transactions are appropriately recorded in order to permit preparation of financial statements; and, assets are properly accounted for and safeguarded against loss from unauthorized use. Underlying this concept of reasonable assurance is the fact that limitations exist in any system of internal controls based on the premise that the cost of such controls should not exceed the benefits derived therefrom.

The financial statements have been audited by the Provincial Auditor of Saskatchewan. The report to the Members of the Legislative Assembly, stating the scope of the examination and opinions on the financial statements appears on the following pages.

B H Sonntag

Dr. Bernie Sonntag,
Federal Co-Chair,
Board of Directors,
Agri-Food Innovation Fund

Susie Miller

Susie Miller,
Provincial Co-Chair,
Board of Directors,
Agri-Food Innovation Fund

Board of Directors

Dr. Bernie Sonntag, Co-Chair (Federal)
Director-General,
Prairie Farm Rehabilitation Administration, Regina
Agriculture and Agri-Food Canada, Regina

Ms. Susie Miller, Co-Chair (Provincial)
Assistant Deputy Minister,
Saskatchewan Agriculture and Food, Regina

Ms. Joan Chase	Meota
Dr. Louise Greenberg	Regina
Mr. Louis Hradecki	Meath Park
Dr. George Lee	Saskatoon
Mr. Doug Maley	Saskatoon
Ms. Linda Pipke	Saskatoon
Dr. Gordon Rowland	Saskatoon
Mr. Don Russell	Rosetown
Mr. Don Tait	Elrose

Agri-Food Innovation Fund Secretariat

Mr. Bob Kohlert, Co-Secretary to the Board of Directors (Federal)
Director, Saskatchewan Affairs,
Prairie Farm Rehabilitation Administration (PFRA),
Agriculture and Agri-Food Canada, Regina

Mr. Martin Wrubleski, Co-Secretary to the Board of Directors (Provincial)
Director, Agriculture Research Branch,
Saskatchewan Agriculture and Food, Regina

Mr. John Babcock, Program Leader (Provincial)

Mr. Larry Lenton, Program Leader (Federal)

Changes in Accountability after March 31, 2000:

Ms. Elin Viberg was named Federal Co-Secretary filling the vacancy created by the resignation of Bob Kohlert in May, 2000.

Mr. John Babcock was named Provincial Co-Secretary filling the vacancy created by the retirement of Martin Wrubleski in May, 2000.

Mr. Larry Lenton resigned as Federal Program Leader in May, 2000.

The two Program Leader positions were abolished in May, 2000.

Staff management services are provided through the Agriculture Research Branch of Saskatchewan Agriculture and Food.

Activities

The Canada-Saskatchewan Agri-Food Innovation Fund, known as AFIF, paid $16,679,351.84 to 179 projects during the 12-month period ending March 31, 2000.

AFIF continues on track, on budget and on target to help Saskatchewan's economy continue to diversify during the year under review.

Two major AFIF-supported projects opened for business during the year. Both will have a long-term, positive impact on different sectors of the agricultural economy for decades to come.

The Saskatchewan Food Industry Development Centre, known simply as Food Centre, opened in September on the University of Saskatchewan campus in Saskatoon while new lab facilities were under construction.

Two months later, the Stockman's Arena opened on the first day of Canadian Western Agribition (CWA) in Regina.

Food Centre, which received $13.4 million in total assistance from AFIF, is the largest single project to receive support from the Fund.

Long-term funding for Food Centre is $8.5 million. Additional AFIF support for projects related to the Centre includes a $2-million endowment to the University of Saskatchewan for a food scientist and technical services, $2.7 million for human resource development programs to help food processors develop better business skills and $200,000 for the Saskatchewan Food Processors Association to make their members aware of the centre's resources and build strategic alliances with individual companies.

Meanwhile in Regina, the Stockman's Arena was designed to handle the sale of specialized livestock such as bison and elk and was made possible by $2 million from AFIF.

The Stockman's Arena was constructed by enclosing the area between the Commercial Cattle Barn and the adjacent Regina Exhibition Stadium, creating a link between four existing barns. A new showpiece entrance to Agribition from Pasqua Street completed the new arena.

New seating was added to Exhibition Stadium and the west side mezzanine was renovated to house the Agribition International Business Centre.

These AFIF-supported improvements will help Agribition remain a key international forum where specialized livestock producers and marketers can meet and sell products.

Established in 1995, the Fund was created to promote and support emerging primary production and value-added processing activities within the province. AFIF's mandate has been extended to 2003 in order for projects and programs to be completed. The Fund originally had been targeted to end on March 31, 2000.

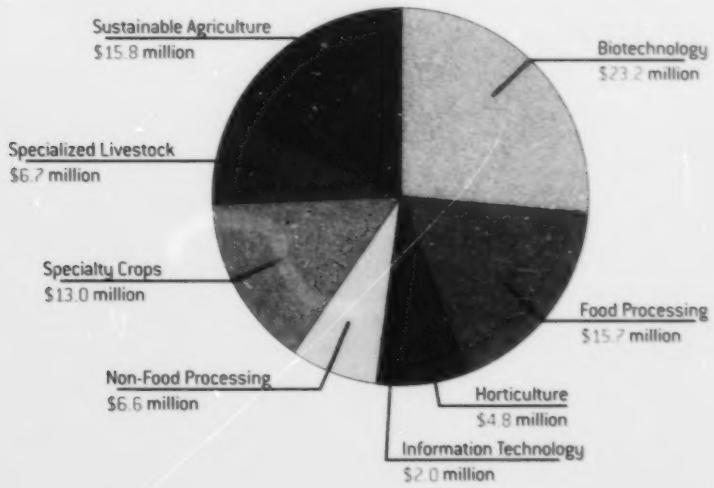
The $91-million Fund received two-thirds of its money from the Government of Canada and one-third from the Province of Saskatchewan.

The agreement is managed by a board of directors of which a majority is from industry. The board is responsible for making funding decisions, approving projects and administering AFIF.

All of the AFIF money has been fully committed to projects in the eight strategic areas determined by the AFIF board of directors:

Biotechnology
Food Processing
Horticulture
Information Technology
Non-Food Processing
Specialized Livestock
Specialty Crops
Sustainable Agriculture

More than 200 projects have been supported by AFIF since its inception and actual expenditures total $87.8 million



IHARF
Precision Farm

Agri-Food Innovation Fund

Financial Statements

For the Year Ended March 31, 2000

SASKATCHEWAN

Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V2

Phone: (306) 787-6398
Fax: (306) 787-6383
Internet e-mail: info@auditor.sk.ca

Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Agri-Food Innovation Fund as at March 31, 2000 and the statements of revenue, expenditure and net financial assets, and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Fund received transfers from the General Revenue Fund under a shared-cost agreement with the federal government. The Fund recorded these transfers as revenue in the year they were received. However, transfers under shared-cost agreements should be recorded as revenue when the related eligible expenditures are incurred. Any transfers received in advance should be recorded as deferred revenue. Had the Fund properly recorded these transfers deferred revenue would increase and net financial assets at the end of the year would decrease by $8,380,000 (1999 - $8,380,000).

In my opinion, except for the effects of the failure to properly record the transfers as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Regina, Saskatchewan
May 1, 2000

Fred Wendel, CMA, CA
Acting Provincial Auditor

AGRI-FOOD INNOVATION FUND
STATEMENT OF FINANCIAL POSITION
As at March 31

	2000	1999
FINANCIAL ASSETS		
Current assets		
Due from General Revenue Fund (Notes 3 & 4)	$ 16,012,341	$ 21,981,836
Interest receivable (Notes 3 & 4)	212,461	301,405
Accounts receivable	---	5,648
Prepaid expenditure	4,550,154	4,181,417
	$ 20,774,956	$ 26,470,306
LIABILITIES		
Current liabilities		
Accounts payable	$ 2,584,180	$ 1,625,406
Deferred revenue	5,388,160	12,639,055
	7,972,340	14,264,461
NET FINANCIAL ASSETS (Statement 2)	$ 12,802,616	$ 12,205,845

(See accompanying notes to financial statements)

Statement 2

AGRI-FOOD INNOVATION FUND
STATEMENT OF REVENUE, EXPENDITURE AND NET FINANCIAL ASSETS
Year Ended March 31

	2000	1999
Revenue		
Interest revenue (Note 4)	$ 596,771	$ 595,313
Government of Canada (Note 6)	17,747,439	19,135,881
Miscellaneous	14,611	21,728
Total revenue	18,358,821	19,752,922
Expenditure		
Board expenditures	7,644	23,997
Office supplies	25,082	23,539
Contractual services - Strategic Projects	17,483,940	18,859,798
Communication activities	245,384	250,275
Total expenditure (Schedule 1)	17,762,050	19,157,609
Surplus for the year	596,771	595,313
Net financial assets, beginning of year	12,205,845	11,610,532
Net financial assets, end of year - to Statement 1	$ 12,802,616	$ 12,205,845

(See accompanying notes to financial statements)

AGRI-FOOD INNOVATION FUND
STATEMENT OF CASH FLOWS
Year Ended March 31

	2000	1999
Cash flows from operating activities:		
Cash receipts from the Government of Canada	$ 5,657,760	$ 14,220,990
Cash receipts from the General Revenue Fund	5,648	1,000,000
Cash refunds from contractors	14,611	21,728
Interest received	921,385	942,644
Cash paid to contractors	(12,568,899)	(14,187,255)
Net increase (decrease) in cash and cash equivalents	(5,969,495)	1,998,107
Cash and cash equivalents, at beginning of year (Note 2)	21,981,836	19,983,729
Cash and cash equivalents, at end of year (Note 2)	$ 16,012,341	$ 21,981,836

(See accompanying notes to financial statements)

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2000

1. Authority and Definition

The Agri-Food Innovation Fund was established as a corporation effective March 31, 1995, pursuant to Section 3 of **The Agri-Food Innovation Act**. The purpose of the Fund is to enhance the diversification of the Saskatchewan agriculture and food industry, support research and development and encourage farmers and rural residents to create economic opportunities and jobs. On September 25, 1995, the Government of Saskatchewan entered into the Canada-Saskatchewan Agri-Food Innovation Agreement (Agreement) with the Government of Canada to achieve this purpose.

The Fund is administered by the Agri-Food Innovation Fund Board.

The Board has entered into contracts with various contractors to carry out projects for the purpose outlined above.

2. Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. The following accounting principles are considered significant:

a) Basis of Accounting

The Agri-Food Innovation Fund financial statements have been prepared on the accrual basis of accounting.

b) Revenue Recognition

Externally restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Funding received from the Federal Government is considered to be externally restricted and as a result is deferred until the program itself incurs expenditures.

Funding received from the Province of Saskatchewan is not considered to be externally restricted because the entities are under common control.

c) Receivables/Payables

These financial instruments are both interest and non-interest bearing and are due or payable within the next year. Due to this short-term maturity, the carrying value of these financial instruments approximates fair value.

d) Cash and Cash Equivalents

Cash and cash equivalents are comprised of amounts due from the General Revenue Fund.

3. Related Party Transactions

All Government of Saskatchewan agencies such as departments, corporations, boards and commissions are related since they are all controlled by the Government. These financial statements include transactions with other Government agencies.

The Fund earned interest income of $ 596,771 (1999 - $ 595,313) on monies deposited in the General Revenue Fund. At year end, the Fund had monies deposited in the General Revenue Fund totalling $ 16,012,341 (1999 - $ 21,981,836).

In accordance with Section 9 of **The Agri-Food Innovation Act**, the Minister of Agriculture and Food may provide to the Fund any supplies and employee services required to carry out its responsibilities.

The Fund has received use of office space and administrative services from Saskatchewan Agriculture and Food without charge.

Included in Prepaid Expenses are amounts paid to related parties of $ 1,412,299 and included in Accounts Payable are amounts due to related parties of $ 660,351.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

4. Due From General Revenue Fund

The monies of the Agri-Food Innovation Fund are deposited in the General Revenue Fund.

The Agri-Food Innovation Fund's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis to the Agri-Food Innovation Fund using the Government's thirty-day borrowing rate (2000 average rate - 4.79%; 1999 average rate - 5.04%), and the Agri-Food Innovation Fund's daily balance.

5. Comparison of Planned and Actual Results for the Year Ended March 31, 2000

	1999-2000	
	Budget	Actual
Expenditures:		
Board expenditures	$ 4,000	$ 7,644
Office supplies	20,000	25,082
Contractual services - Strategic Projects	23,051,955	17,483,940
Communication activity	432,000	245,384
	$ 23,507,955	$ 17,762,050

The Board approved the budget for expenditures at its March 12, 1999 meeting.

6. Federal Government Funding

Agriculture and Agri-Food Canada (Canada) is committed to contribute, by March 31, 2002, up to $64 million to the Fund under the Canada-Saskatchewan Agri-Food Innovation Agreement (Agreement).

Canada contributed $ 10,496,544 (1999 - $ 20,452,759) in the year under Section 5.3 of the Agreement. Under the Agreement interest accrues on Canada's contributions until they are spent. Canada's contributions include interest of $ 235,670 (1999 - $ 417,087).

When the Agri-Food Innovation Fund Board approves a designated federal agency to carry out a project or program the funding is provided to the agency by Canada. The Board records in the Fund the revenues and expenditures provided to the agency. Included in revenue and expenditure on Statement 2 is $ 4,603,114 (1999 - $ 5,809,034) for projects funded directly by Canada.

7. Commitments

At March 31, 2000, the Board had approved Strategic Projects for payment in future years.

Payable in Year	
March 31, 2001	$ 17,007,816
March 31, 2002	3,534,091
March 31, 2003	1,356,581
	$ 21,898,488

Schedule 1

AGRI-FOOD INNOVATION FUND
DETAILS OF EXPENDITURES
For the Year Ended March 31

	2000
Personal Services (Payees under $2,500)	$ 2,550
Travel	5,764
Net accrual adjustments	(670)
Total Travel and Personal Services	7,644
Strategic Projects	
AgWest Biotech	60,000
Agriculture Institute of Management in Saskatchewan	185,000
Amulet Western Heritage Products Ltd.	25,000
Canadian Western Agribition	600,000
Canadian Wild Boar Co-Operative	30,000
Centre for Animal Parasitology	20,000
CHS Enterprises Inc.	30,982
District #31 ADD Board	22,000
Durafibre Inc.	121,128
East Central Research Foundation	43,000
Emerald Seed Products Ltd.	21,722
Garven & Associates	70,000
Gebhardt Consulting	120,473
Harvest Green Botanicals	102,321
Indian Head Agriculture Research Foundation	88,884
Marmax Consultants	229,000
Nixdorf, Raymond	63,979
Northeast Agriculture Research Foundation	24,600
Performance Plants Inc.	136,000
Plant Biotechnology Institute	1,910,000
POS Pilot Plant Corporation	1,148,045
Prairie Agricultural Machinery Institute	426,214
Prairie Diagnostic Services	22,000
Prairie Farm Rehabilitation Administration	4,603,114
Prairie Feed Resource Centre	180,000
Prairie Plant Systems Inc.	82,000

Schedule 1 Continued

Strategic Projects Continued	
Sask Pork	418,000
Sask Soil Conservation Association	23,919
Saskatchewan Aginfonet Inc.	336,000
Saskatchewan Alfalfa Seed Producers Development Commission	51,000
Saskatchewan Association of Rural Municipalities	70,000
Saskatchewan Bison Association	87,380
Saskatchewan Food Industry Development Centre	200,000
Saskatchewan Institute of Applied Science and Technology	100,000
Saskatchewan Nursery Trades Association	30,000
Saskatchewan Nutraceutical Network	100,000
Saskatchewan Pulse Growers	150,000
Saskatchewan Reindeer Association	40,000
Saskatchewan Research Council	726,130
Saskatchewan Seed Potato Growers Association	105,000
Saskatchewan Stock Growers Association	283,240
Saskatchewan Weekly Newspaper Association	23,013
Saskatchewan 4-H Council	48,000
Seager Wheeler Farm Historical Society Inc.	34,000
Sullivan, Andrew	33,002
Sweetman, Glen	70,336
University of Saskatchewan	2,491,700
Veterinary Infectious Disease Organization	370,000
Western Beef Development Centre Inc.	381,160
Western Economic Diversification	83,269
Wheatland Conservation Area Inc.	56,000
Payees under $20,000	215,640
Net accrual adjustments	591,689
Total Strategic Projects	17,483,940
Supplier Payments	
Palmer Jarvis Communications	26,334
Printwest Communications Ltd.	64,685
Prairie Advertising Distributors Ltd.	22,577
Trinity Communications Inc.	58,869
Payees under $20,000	98,983
Net accrual adjustments	(982)
Total Supplier Payments	270,466
Total	$ 17,762,050

Canada

Saskatchewan